

EXHIBIT 1

INTRODUCTION

Respondent BMG Entertainment is a music industry entity headquartered in New York, New York.

In 2002, during the first semi-annual campaign reporting period of January 1, 2002 through June 30, 2002, Respondent made a \$15,000 contribution to support Proposition 45, and thereby qualified as a “major donor committee” under the Political Reform Act (the “Act”).¹ As such, Respondent was required to comply with specified campaign reporting provisions of the Act.

As a major donor committee, Respondent was required by the Act to file late contribution reports disclosing its late contributions within 24 hours of making them. Furthermore, Respondent was required to file a semi-annual campaign statement, commonly known as a “major donor statement,” disclosing its contributions during the reporting period January 1, 2002 through June 30, 2002.

In this case, Respondent made a late contribution prior to the March 2002 primary election, which it failed to disclose in a properly filed late contribution report, thereby committing a violation of the Act. Furthermore, Respondent failed to file a semi-annual campaign statement disclosing the campaign activity of Respondent during the first half of 2002.

For the purposes of this Stipulation, Respondent’s violations are stated as follows:

COUNT 1: Respondent BMG Entertainment failed to disclose a \$15,000 late contribution to the Yes on 45 Committee in a properly filed late contribution report, by the February 20, 2002 due date, in violation of Section 84203, subdivision (a).

COUNT 2: Respondent BMG Entertainment failed to file a semi-annual campaign statement, by July 31, 2002, for the reporting period January 1, 2002 through June 30, 2002, in violation of Section 84200, subdivision (b).

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 – 18997 of Title 2, California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that the contributions and expenditures affecting election campaigns are fully and truthfully disclosed to the public, so that voters may be better informed, and improper practices may be inhibited. To that end, the Act sets forth a comprehensive campaign reporting system designed to accomplish this purpose of disclosure.

Section 82013, subdivision (c) includes within the definition of “committee” any person or combination of persons who directly or indirectly makes contributions totaling ten thousand dollars (\$10,000) or more in a calendar year to, or at the behest of, candidates or committees. This type of committee is commonly referred to as a “major donor” committee.

Under Section 84203, subdivision (a), when a committee makes or receives a late contribution, the committee must disclose the contribution in a late contribution report that must be filed within 24 hours of making or receiving the contribution. Section 82036 defines a “late contribution” as a contribution aggregating \$1,000 or more that is received before an election, but after the closing date of the last pre-election campaign statement. Under Section 84200.8, subdivision (b), for an election not held in June or November of an even-numbered year, the late contribution period covers the last 16 days before the election.

Section 84200, subdivision (b) requires a major donor committee to file a semi-annual campaign statement for any reporting period in which the committee makes campaign contributions. The first semi-annual campaign statement covers the reporting period January 1 to June 30, and must be filed by July 31. The second semi-annual campaign statement covers the reporting period July 1 to December 31, and must be filed by January 31 of the following year.

Section 84215, subdivision (a) requires all major donor committees supporting statewide elected officers to file the committee’s campaign statements with the office of the Secretary of State, the Registrar-Recorder of Los Angeles County, and with the Registrar of Voters of the City and County of San Francisco.

SUMMARY OF THE FACTS

During the first semi-annual campaign reporting period of 2002, Respondent BMG Entertainment made a \$15,000 campaign contribution, and thereby qualified under Section 82013, subdivision (c) of the Act as a major donor committee.

COUNT 1

Failure to File a Late Contribution Report

As a major donor committee, Respondent BMG Entertainment had a duty to file late contribution reports, disclosing, within 24 hours, the late contributions that it made. The late contribution reporting period for the March 5, 2002 primary election was February 17, 2002

through March 4, 2002.

On February 19, 2002, Respondent BMG Entertainment made a contribution of \$15,000 to the Yes on 45 Committee. As the contribution was made during the late contribution reporting period prior to the March 5, 2002 primary election, Respondent was required to disclose the contribution in a late contribution report filed by February 20, 2002. Respondent failed to do so.

By failing to file a late contribution report by February 20, 2002, disclosing a \$15,000 late contribution to the Yes on 45 Committee, Respondent committed a violation of Section 84203, subdivision (a).

COUNT 2

Failure to File a Semi-Annual Campaign Statement

As a major donor committee, Respondent BMG Entertainment had a duty to file a semi-annual campaign statement by July 31, 2002, for the reporting period January 1, 2002 through June 30, 2002. Respondent failed to file a semi-annual campaign statement, by July 31, 2002, in violation of Section 84200, subdivision (b).

By failing to file a semi-annual campaign statement, as set forth above, Respondent committed a violation of Section 84200, subdivision (b).

To date, Respondent has not filed a semi-annual campaign statement for the reporting period January 1, 2002 through June 30, 2002.

CONCLUSION

This matter consists of two counts, which carry a maximum possible administrative penalty of Ten Thousand Dollars (\$10,000).

Regarding Count 1, under the Enforcement Division's Streamlined Late Contribution Enforcement Program, the approved administrative penalty for failing to timely disclose a late contribution is 15 percent of the amount of the undisclosed contribution. However, this matter has been removed from the streamlined program due to Respondent's additional reporting violation and non-responsiveness with the Enforcement Division. As such, a penalty higher than the standard 15 percent penalty imposed under the streamlined program is justified. Therefore, a penalty approximating 25 percent of the amount not properly reported has been settled upon.

Regarding Count 2, the typical stipulated administrative penalty for the late filing of a semi-annual campaign statement has historically ranged from \$1,000 to \$1,500 per statement. As the violation appears to be aggravated, due to Respondent's failure to disclose any of its first semi-annual reporting period contribution activity, an administrative penalty approximating the upper end of that penalty range is appropriate.

The facts of this case therefore justify imposition of the agreed upon penalty of Five Thousand Two Hundred Fifty Dollars (\$5,250).